MARXIST STUDY COURSES

Course

POLITICAL ECONOMY

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Political Economy

LESSON IX.
ECONOMIC CRISES
(Part II)

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SECTION IX. ECONOMIC CRISES (PART II)

IV. The Marxian Theory of Crises (*Contd.*)

C. Periodicity of Crises

Capitalist production develops in cycles, which means that it moves in a constant circle (cycle) of phases (crisis, depression, trade revival, boom, crisis, and so on), which follow on and merge with each other.

Among the other things of which Marx is accused by bourgeois economists is that, as they maintain, he dragged into far too great prominence and in a one-sided and biassed manner when elaborating his theory of crises, only one single phase of that cycle—to wit, the crisis—whilst he disregarded its other phases. Yet bourgeois economists themselves usually set up a cyclical theory, or theory of good and bad trade periods, in place of the theory of crises. They do not regard crisis as the outstanding feature of the cycle of capitalist production, seeing in it, instead, a passing phase of the cycle which exists *together with* its other phases, thus merging the crisis with the cycle and in the changing aspects of advancing periods of good trade.

Unlike them, Marx laid particular emphasis on crisis since it is the decisive feature of the trade cycle and determines the character of the movement undergone by all capitalist production.

For this reason the Marxian theory of trade cycles is primarily a theory of crises, because its most noteworthy feature is that capitalist production is periodically shaken by crises. Crises are the connecting points of the main contradictions of capitalism.

The Marxian theory of crises does not, however, ignore either depression or good-trade periods. Rather the reverse ; for regarding crises as the all-decisive and central feature of the trade cycle Marx thereby fur-

nishes the only scientific explanation for the other phases of the cycle.

According to Marx, crises are " always only momentary and violent solutions of existing contradictions." (Marx, *Capital,* Vol. iii.)

Crises are the temporary forceful solution to the contradictions upon which capitalism is based and which determines its development. By dislocating the forces of production (through depreciation of capital, fall in prices, destruction of commodities, and reduction of output), and limiting production the crisis again brings capitalist production, for a brief space, into accord with the narrow foundation of consumption on which it rests. It is in this, then—in the temporary and forcible solution of accumulated contradictions—that the function of crisis lies.

It is perfectly plain, therefore, that under conditions of a developing capitalism there can be no uninterrupted, permanent crises because in its crises a temporary solution of its contradictions is achieved. " There are no permanent crises." (Marx, *Theories of Surplus Value,* Vol. ii, Part 2, p. 269, Note i, Stuttgart, 1921.)

If it were not so, crises would not play the part in the trade cycle that they do in solving the contradictions of the system. Following on the solution of these contradictions as the result of crisis, capitalist production starts moving again. A crisis fails, however, *to eliminate* these contradictions—it merely *resolves* them for the time being. It is for this reason that any further development of production after a crisis can only take place in the direction of a fresh heaping up, as it were, of the contradictions which have not been eliminated. In its movement, then, capitalist production is inevitably bound to be brought up short again and again by its own narrow limits, for :

" In the very nature of capitalist production we have production without regard to the limits of the market." (*Ibid.*, p. 301.)

Since crisis does not do away with the contradictions

between the social character of production and the private-capitalist nature of its appropriation—that is, it does not remove the chief cause of crises—sooner or later the movement of capitalist production must once more lead to crisis.

In this way the crises become *periodical* crises. The same causes which make for the appearance of crises also bring about their periodic recurrence. For the time being the crisis solves the accumulated contradictions and thereby makes it possible for production to continue developing, i.e. for an advance to take place which must again be inevitably closed by a crisis, and so it goes on.

"Just as heavenly bodies once hurled into a definite movement continually repeat that same movement, so, too, does social production act as soon as it is once thrown into that movement of changing expansion and contraction: effects become causes, and the changes of the whole process, which constantly reproduces its own conditions, acquire the form of periodicity." (Marx, *Capital*, Vol. i, p. 356.)

Of particular importance for the cyclical course of capitalist production is the manner in which the *renewal of fixed capital* is effected. Unlike circulating capital (the value of the raw materials and the variable capital), which flows back to the capitalist upon each completed revolution, fixed capital (machinery, buildings, etc.) only wears out gradually. Its value returns gradually in small sums of money to the capitalist (amortisation, writing off of capital for wear and tear). But this fixed capital is renewed all at once by a single investment of large capital values in the industry concerned. This method of renewing fixed capital, the gradual, partial diminution and the sudden isolated reinflux of this capital in great volume into production bring about a sudden advance in the demand for means of production, building materials, iron, machinery, etc. The market for branches of industry which furnish the means of production expands, production also rising simultaneously in these branches of industry.

Replacement of fixed capital seldom occurs as the result only of any actual *technical wear and tear*. In most

cases what happens is that the old means of production are replaced by new, not because they have been completely worn out but because new and better means of production have been invented, so that the use of the old means of production would be a handicap on the competitive power of the given plant.

It is perfectly clear, of course, that a large number of inventions and improvements occurs just at times of crisis and depression, as it is at such times of all others that competition between the capitalists is fiercest. To avoid losses or to check the fall in profits in the case of any drop in prices the capitalists lower their costs of production, this being done in two ways: first, by cutting wages and intensifying labour; and secondly, by perfecting the old and introducing new improved machinery, i.e. by renewing their fixed capital.

Concerning this point Marx writes in the second volume of *Capital*:

"The development of fixed capital . . . is . . . shortened by the continuous revolution of the instruments of production, which likewise increases incessantly with the development of capitalist production. This implies a change in the instruments of production and the necessity of continuous replacement on account of virtual wear and tear, long before they are worn out physically. . . . A crisis is always the starting point of a large amount of new investments." (Marx, *Capital*, Vol. ii, p. 130.)

So it comes that, out of the crisis which destroys part of the forces of production and in this way resolves the contradictions accumulated during the period of "good trade," the conditions emerge which necessitate fresh and large investments of capital. In other words, the crisis itself forms the starting point for a fresh advance. As is common knowledge, an advance of this kind begins in those branches of industry producing the means of production, i.e. in the heavy industries. In such case it is a matter of indifference whence this demand for new means of production emanates—whether from the branches of industry furnishing the means of production or from those supplying the means of consumption. If the crisis does happen to affect all

branches of production (as is the case with any *general* over-production), and a bitter competitive struggle is everywhere going on, with prices falling, and so on, the result, however, is that in all branches of industry the ground is being prepared for a " premature renewal of industrial equipment."

The branches furnishing the means of production form the chief branches of industry through which all social production is influenced as far as its general trend is concerned. The movement towards " better trade " which begins in these branches of production is also bound to change gradually into an advance involving all branches of production.

The rising tendency of the sections of industry which furnish such means of production extends as well to the sections producing the means of consumption, because the expansion of the former involves an increase in the number of workers employed. Then again, the revival in those lines of production manufacturing the means of consumption strengthens the expansion of the branches of industry engaged in turning out the means of production, as the industrial branches producing the means of consumption likewise effect improvements, take steps to renew their fixed capital on as big a scale as possible and place orders for large quantities of machinery and other equipment with those branches working on the manufacture of the means of production. The advance towards " better trade " blossoms into full flower. The branches supplying the means of production now fail to cope with the steadily increasing inflow of orders coming from that section of capitalist industry enjoying boom trade conditions until over-production suddenly makes itself felt and leads to a cancelling of such orders and the slowing down of new building schemes—until, in other words, a new crisis breaks out.

And so the whole process is being *continually repeated* all over again.

In this way the method adopted for renewing fixed capital forms the *material basis* for the periodicity of crises ; since, concurrently with the development of capitalism and its concentration and centralisation,

there is also an increase in the volume of fixed capital. Every crisis sweeps along on a broader basis than its predecessor and must exert an ever-more destructive effect. The greater the volume of the social means of production and the more concentrated capital is, the sharper, too, must be the contradictions between the social character of production and private appropriation. Hence it follows that with the further development of capitalism the intervals between crises become not longer but shorter ; that is to say, that crises are not rarer in appearance but break out oftener. Up to the 'nineties of the last century crises recurred on the average every ten years ; later the interval between them dropped to between seven and eight years.

Marx worked out his theory of crises before capitalism had entered its highest stage of monopoly. All opponents of Marx, though chiefly the Social-Democrat theoreticians, see in this a convenient excuse to bolster up the objection that while the Marxian theory of crises might have been right for pre-monopoly capitalism, it is inapplicable to the monopoly, and more especially the " organised," capitalism of after the war. Actually, monopoly capitalism utterly fails to disprove Marx's theory of crises ; rather the reverse, it confirms it up to the hilt. An irrefutable proof of the soundness of the Marxian theory of crises is to be seen in the crisis which broke out over four years ago and is the worst of all the crises known in the whole history of capitalism.

QUESTIONS

1. Why are crises bound to recur periodically under capitalism ?
2. Why do these crises become increasingly destructive ?
3. Why does the development of capitalism lead to ever shorter intervals between crises ?

V. Crises in the Period of Monopoly Capitalism

Approximately from the beginning of the twentieth century capitalism entered its new, imperialist, stage of development. Imperialism constitutes a definite and very high degree of development of capitalism at which the concentration of production leads to the general spread of monopolies, whereupon monopoly comes to

occupy first place in the national economy of capitalist Powers and all aspects of economic and public life begin to be permeated with monopolistic tendencies.[1]

Imperialism is the monopoly stage of capitalism.

Whilst competition prior to the domination of the monopolies used to be carried on between many individual and scattered capitalists, it now develops as between the big monopolists and therefore acquires an especially acute character.

"*At the same time monopoly, which has sprung from free competition, does not drive the latter out of existence, but co-exists over it and with it, thus giving rise to a number of very acute and very great contradictions, antagonisms and conflicts.*" (Lenin, *Imperialism: the Last Stage of Capitalism.*)

The formation of great monopolies connotes a growth of the social character of production never seen previously in history.

"Capitalism, in its imperialist phase, arrives at the threshold of the complete socialisation of production. Production becomes social, but appropriation remains private. The social means of production remain the private property of a few." (*Ibid.*)

It is this contradiction between the social nature of production and the manner of its appropriation, the private nature of appropriation, which forms the *principal* contradiction, however, of capitalism and is the chief cause of crises. By driving this "*principal contradiction of capitalism*" to its uttermost limit through the vast development and socialisation of production while at the same time retaining the private appropriation of the fruits of production by a more and more concentrated group of rich capitalists, imperialism makes for a further sharpening of *all* the contradictions of capitalism, which are conditioned by this fundamental contradiction and come to the surface only as the tangible expression of that underlying contradiction. One of the consequences is the sharpening of periodic crises. Including the Social-Democratic theoreticians, the apologists for capitalism are at great pains to refute this plain statement of the case as it really stands.

[1] See next Lesson.

We have an instance in Hilferding who, at a time now long past, made an attempt to inquire into the " alterations in the nature of crises," devoting a special chapter of his *Finance Capital* to that object. There Hilferding endeavoured to demonstrate under cover of an analysis of the peculiar features of crises in the period of finance capital that within capitalism we actually had a *weakening* of its crises.

"With the development of capitalist production we find production by hand and for the producer's consumption being widely destroyed. Crisis now affects a section of production whose shrinkage is limited by the necessity of meeting the relatively and absolutely greater, considerably greater, social demand."

From this Hilferding draws the conclusion that :

" With the progressive advance of production there is also an increase in that share which ' must ' be continued under any and all circumstances. This is to be seen in the fact that the branches of industry catering for consumption are, relatively, less hard hit by the crisis." (Hilferding, *Finance Capital*, p. 360, Vienna, 1923.)

Only by sheer betrayal of all that Marxism has to teach and the crudest distortion of the real facts of the case was it possible for Hilferding to arrive at any such conclusion. He assumes this weakening of the crisis in the belief that, as he supposes, under capitalism there is a certain minimum below which consumption cannot possibly sink, and that therefore narrowly-bounded limits are set to any likely decline in production by this minimum. Now, capitalism knows no other kind of consumption but what is paid for, though of course its volume is by no manner of means determined by the physiological need for food of men and women. The amount of consumption at any given time is determined only by the purchasing power of the masses ; and however much the masses at large may starve and suffer in want—that circumstance alone will never cause the slightest demand for goods as long as the masses are deprived through unemployment and low wages of the necessary means to secure them the opportunity for buying the foodstuffs indispensable to feed them.

Under capitalism this " minimum " is always being pressed down.

According to Hilferding it turns out, first of all, that production would appear to be dependent on consumption under capitalism, whereas the opposite is the case actually, seeing that all consumption by the working class is determined by the course of capitalist production and the progress made in the accumulation of capital.

Secondly, Hilferding will have it that the working class suffers least of all from modern crises, for according to his statements those branches of industry engaged in turning out the means of consumption for the workers and whose products are exchanged for the workers' income have their production restricted far less than the branches of industry manufacturing those commodities purchased by the capitalists as elements of their constant capital. The fallacy thus arrived at springs only too obviously from Hilferding's assertion that consumption—and therefore the income of the working class as well—cannot sink below a certain minimum.

Finally, Hilferding " proves " that crises are weakening, as we see, because of the expansion of capitalism and the dissolution of hand manufacture by capitalist production. According to Marx, on the other hand, the expansion of capitalism leads in the opposite direction of more crises.

Taking Hilferding's word for it, we find other " proofs " still in favour of his theory of the weakening of crises ; first and foremost among them, this—that :

" Alterations in the phenomena that go with crises are also bound to emerge in consequence of advances made in capitalist concentration." (*Ibid.*, p. 360.)

Further " proof " is seen in the decline of speculation that is supposed to be taking place.

" Then the circumstance is to be mentioned that speculation, both in extent and importance, has declined greatly, this being true of speculation in commodities as well as securities." (*Ibid.*, p. 365.)

So says Hilferding, who connects the decline of speculation with what he considers to be the unlimited powers

of the banks prevailing under the domination of finance capital, the same banks which are ousting the Stock Exchange into a secondary position, are reducing speculation, and "organising" capitalism, and are supposed to be able in addition to mitigate the appalling effects of crises.

The idiocy of Hilferding's assumptions is plain for all to see. To begin with, the concentration of production cannot in any possible way result in anything else but a strengthening of crises, seeing that it promotes the progressive socialisation of production on the basis of a contradictory private appropriation. Marx, who saw the concentration of production as an expression of the general law of capitalist accumulation, always emphasised the swelling of the industrial reserve army (the "over-population" of the capitalists), and the deepening of the misery suffered by the common people which goes to make its opposite pole.

Utter nonsense is the most that can be said of the second assumption in accordance with which Hilferding develops his conception of the weakening of crises, viz. his thesis as to the decline of speculation.

There is no doubt that under capitalism the independence of the Stock Exchange lessens and that in this respect its rôle diminishes. Stock Exchange operations are more and more conducted by the big banks, insurance companies and so on. The banks also advance money to private speculators on the Exchange. The speculation thus handled is on a scale never witnessed before. When compared with it, previous speculation of the free Stock Exchanges dwindles into the pettiest of street-trading. The tremendous effect of Stock Exchange speculation on intensifying the effects of the crisis can be seen from the American crash in 1929, the Hatry and Kreuger and many other financial "scandals."

Lastly, Hilferding has attempted to demonstrate with regard to bank crises that in the latest phase of capitalist development

"a deciding factor is that there is no lack whatever of the means of payment." (*Ibid.*, p. 363.)

so that it may really be said that

" here also capitalist development reveals tendencies which engender a mitigation of the crisis for Capital." (*Ibid.*, p. 365.)

and that therefore crises are no longer bound to be accompanied by

" the acute phenomena of stock exchange, bank, credit, and money crisis." (*Ibid.*, p. 369.)

In his article reviewing *Finance Capital*, Kautsky acknowledged Hilferding to be perfectly right in the matter of the moderation supposed to be observable in the effects of the crisis when he wrote :

" How this moderating effect is exerted is shown us in a most illuminating manner by Hilferding." (*Neue Zeit*, 1910-11, xxix, p. 881.)

Kautsky attempted to bring this thoroughly apologetical theory—which Hilferding had borrowed from the Russian bourgeois economist Tugan-Baranowski—into line with the tenets of the Erfurt Programme, writing on the very next page that :

" Observed from the standpoint of capital, crises are thus most certainly seen to be moderating . . . though the matter looks quite different when we regard it from the viewpoint of the mass of the population." (*Ibid.*, p. 882.)

Kautsky goes on to elucidate the significance for capitalism of any moderation of its crises, in that it would avoid any considerable drop in prices. Naturally, under imperialism the consequences of the destructive effects of crises are pushed on to the shoulders of the working class to a greater extent than ever. That, however, was a point Kautsky had not the slightest intention of going into. His pet tenet as to the effects of such mitigated crises on capitalism was to supply proof that nowadays crises are less destructive than formerly and that in modern crises therefore the drop in prices is less severe ; 1921 and 1928 and after supply the comment on this theory.

As far as capitalism is concerned, however, any such moderation of the crisis would mean simply that there

was a lessening of the depth and force of crises. Here lies the unsoundness of Kautsky's supplement to Hilferding's " theory."

While bourgeois economists were still predicting that crises would recur no more or would in that event at least slacken off and the theoreticians of the Second International were repeating the same drivel parrot-fashion, Lenin and his Communist adherents, like the true Marxists they were, had always ridiculed and refuted the " theory " of capitalist development without crises.

We therefore find Lenin writing back in 1901—arising out of Eduard Bernstein's contention that crises were about to be eliminated by the cartels—that :

" The crisis (the crisis of 1899-1901 is referred to) shows how short-sighted those socialists were (who probably call themselves ' critics ' because they take over the doctrines of bourgeois national economists without any criticism), who were so loud in announcing two years ago that collapses would apparently become less frequent now." (Lenin, *Collected Works*, Vol. iv, Book i, p. 205.)

Lenin, who had investigated the special features of the most recent stage in capitalist development, thus proved that cartels and trusts are unable to eliminate crises, and not only that ; but that on the contrary they cannot do otherwise than bring about a sharpening of the contradictions of capitalism and so help to give rise to crises.

" The statement that combines do away with crises is only a tale for the marines, used by bourgeois economists who set out to justify capitalism at all costs. On the contrary, when monopoly appears in *certain* branches of industry, it increases and intensifies the chaos proper to capitalist production *as a whole.* (Lenin, *Imperialism : the Last Stage of Capitalism*, p. 27.)

The crises which have affected imperialism in the past, and more especially the crisis which began in 1929, have revealed only too plainly the untenability of the entire Hilferding " theory " of the weakening of crises under imperialism and in particular have refuted his statement to the effect that in the epoch of finance

capital the banks are not subject to the violent influence of crises.

The significance of this analysis for us to-day lies in the fact that capitalist economists and Social-Democratic writers are saying that capitalism is not organised enough but that what is wanted is more organisation—under the property relations of capitalism. The Labour Party theoreticians are all "planners" now. For instance see Herbert Morrison's book on *The Socialisation of Transport*, where the glorified London Transport Combine, undergoing a sea change by crossing the river and amalgamating with the L.C.C., but still under the charge of Lord Ashfield and Mr. Pick, is held up as a model. But these plans do not cut out the fundamental contradictions of capitalism.

QUESTIONS

1. Why is Hilferding's apologetical theory regarding the changes in the nature of crises and the weakening and moderating of crises wrong?
2. Why must the concentration of capital and monopoly capitalism lead to the sharpening of crises?

VI. The Present Crisis in the Light of Marxist-Leninist Theory

1. PRESENT EPOCH AS EPOCH OF A GENERAL CRISIS OF CAPITALISM

The world war of 1914-18 sharpened the contradictions of capitalism and ushered in the beginning of the epoch of a general crisis for capitalism.

This general crisis of capitalism is seen chiefly in the sundering of world economy, in the withdrawal of one-sixth of the globe, i.e. the Soviet Union, from the area of capitalist influence.

This means that:

"Capitalism no longer represents the *sole* and *all-embracing* system of world economy, that side by side with the *capitalist system of economy* there exists the *Socialist system*, which is growing, which is flourishing, which is resisting the capitalist system, and which by the very fact of its existence is demonstrating the rottenness of capitalism and shaking

its foundations." (Stalin, *Political Report to the Sixteenth Party Congress of the Russian Communist Party, Leninism*, Vol. ii, p. 314-15. The whole Report is very important for students to study. Modern Books, International Publishers.)

Furthermore, the roots of capitalism's general crisis lie in the monstrous development of the crisis facing imperialism in the colonies—where it can no longer run things as it used to. The best examples in this case are China, Indo-China, and India.

At the same time the war gave a fresh and far-reaching impetus to the further socialisation of capitalist production with the result that it now stands in still crasser contradiction than ever to the private-capitalistic form of appropriation. For the private appropriation of the fruits of socialised production during the war has led to the enrichment on an enormous scale of the small handful of financial plutocrats wielding power in the two or three victor-States and to unprecedented misery and ruin for the vast mass of the overwhelming majority of mankind.

Things being what they are to-day, the capitalist system reveals itself as undermined and tottering to its fall. Round the focal point of this crisis of the capitalist system there has now wound a tangled knot, a very stranglehold, of the unsolved contradictions of imperialism, especially of those central contradictions within the imperialist camp which, while being themselves aspects of capitalism's general crisis, unavoidably do their share in deepening the crisis and will continue to do so.

In the fact that capitalism can no longer make use of the forces of production it has called into being we may see one of the outstanding features of modern capitalism in its hour of disintegration. In view of the dwindling markets we see everywhere the machinery of production is disproportionately big. Post-war capitalism is therefore burdened with the vast machinery of a huge apparatus of production standing continuously idle and thus creating chronic and stationary unemployment on a scale so big that its like was never seen under pre-war capitalism.

Then again, capitalism's general crisis involves a drop in the total working and producing time of the entire machinery of production and thus artificially restricts output and makes for the enormous growth of all the non-productive sections of the population. In many of the foremost capitalist countries, as in the United States, for instance, there was a drop in the absolute number of workers even during the " good-trade " phase, while simultaneously all non-productive lines of capitalist economy are expanding. In the front rank we find the machinery of distribution, which keeps on swelling its ranks in the vain search for customers who are not to be found.

Added to that the farming industry throughout the world has been in the throes of an extraordinarily severe and chronic agrarian crisis existing for the past ten years, a farming crisis made worse still owing to the effects of the general crisis overwhelming capitalism. The agrarian crisis takes the shape of an over-production of agricultural commodities, of an astounding drop in the prices paid for agricultural produce and in the resultant wholesale ruination of the holdings and farms of smallholders and farmers ; then, finally, of the utter decay of agriculture in some countries—India, China, and others.

The impoverishment of the working class and the ruin of the mass of the peasantry and farmers are all for the obvious benefit of a handful of financial magnates with a following behind them of coupon-clippers and parasite capitalists. The big five imperialist states for instance expect an annual tribute of £500 millions from the colonial areas. Since the war antagonisms due to the contradictions between proletariat and bourgeoisie have reached boiling point. But as Lenin said :

" It is impossible for one and a half billion people to live in the slavery which a ' progressive ' and civilised capitalism wishes to impose on them. . . . The small handful of the wealthiest states . . . are unable to regulate industrial relationships. The result is world crisis." (Lenin, *Collected Works*, Vol xxv, p. 419. *Report to Second World Congress*, 1920.)

2. The Present Economic Crisis and the General Crisis of Capitalism

(*a*) The cyclical character of capitalist development in the period of the general crisis of the capitalist system

Engels predicted the outbreak of the general crisis of capitalism away back in the 'nineties. Going on the evidence of the extensive socialisation of production, of the cartels and trusts, which were developing even then on the narrow basis of the private appropriation of the results of socialised production, he proved that capitalist production was bound to reach a state of crisis from which there would be no way out, that is, a crisis of the entire capitalist system.

"To the daily growing rapidity with which production can be increased to-day in all fields of large-scale industry there stands opposed the ever greater slowness in the expansion of the market for these multiplied products. What the first can manufacture in a few months the latter can scarcely absorb in a few years. Hence the policy of protective tariffs by means of which each industrial country is cutting itself off against the others and more particularly against England and still further enhancing artificially its own ability to produce at home. The consequences are general, chronic over-production, prices pressed down, falling profits and even none at all; in brief, the long-vaunted freedom of competition is at an end of its resources and must itself openly announce its own disgraceful bankruptcy." (Note by Engels to *Capital*, Vol. iii.)

Engels drew these conclusions from the observations undertaken by himself on the changes in the character of capitalism's development which were coming to light in the last quarter of the nineteenth century.

In voicing these conclusions he expressed the view that:

"One could almost say that England would seem to be about to pass over to a state of things no longer progressive."

On drawing attention to the fact that

"capitalist production cannot become stable, that it must grow and expand or else die" (Preface to his *Position of the*

Working Class in England, 1892 ; see also his *Short Economic Essays*),

Engels brought up the question :

" Only what will happen when the increase in the annual production has been brought completely to a standstill ? " (*Ibid.*)

" Here," he writes, " is the vulnerable Achilles' heel of capitalist production. The condition on which it lives is the necessity of continual expansion, and this continual expansion now becomes impossible." (*Ibid.*)

" How will it be," Engels goes on to ask, " when the oppressive stagnation of the present not only increases, but if this enhanced state of deadening pressure should become the constant and normal state of British industry ? " (*Ibid.*)

Engels, who, as we see, predicted stagnation for British capitalism, puts the question himself as to the forms in which the movement of capitalism will further develop. He predicts that :

" Should prosperity become entirely non-existent, then chronic stagnation with but minor fluctuations must become the normal state of modern industry." (Preface by Engels to *The Poverty of Philosophy* ; see also his *Short Economic Essays*.)

Actually, the post-war period of capitalism, as we shall see below, is remarkable for the slackness of its periods of revival and the protracted nature of its periods in which capitalist production is rent by shattering crises.

(*b*) SPECIAL FEATURES OF THE " BETTER-TRADE " PHASE

The general crisis of capitalism does not in any way exclude the cyclical form taken by the movement of capitalism which is seen in the alternation of various phases and the following on each other's heels of crises, periods of good trade, and states of stagnation.

" As long as capitalism exists cyclical fluctuations are inevitable. They will also accompany it in its last agony just as they have done in its youth and prime." (*Theses of the Third Congress of the Communist International*, 1921.)

Monopoly capitalism and the general crisis it is now experiencing are placing their impress, however, on the entire movement of the cycle and therewith on the character of the good-trade period and crisis within the cycle as well.

Capitalism's general crisis no less than these cyclical crises constitutes a movement which leads to the sundering of society and to the sharpening of all its contradictions. Yet there exists a vital difference between cyclical crises and the general crisis of the capitalist system.

Cyclical crises break out at more or less definite intervals and are the form assumed by a forcible, even if temporary, solution of the contradictions of the capitalist system. The way out from the cyclical crisis lies through the period of better trade which follows it and in turn leads to a fresh crisis.

At a certain stage in imperialism's development the contradictions of capitalism accumulate to such an extent that they can no longer be solved by the usual periodic crises. Capitalism then enters the era of contradictions which are insoluble within the frame of bourgeois society. The general crisis of capitalism is thus recognisable as not being by any means a phase of the cycle ; it forms a stage or a phase of imperialism, a whole epoch in capitalism's decline in which only the smashing of the capitalist system by the proletarian revolution offers any solution. For its inherent contradictions are now pushed to their extreme point.

Although the cyclical nature of capitalist development continues to exist even in the general crisis of capitalism, the boom phase is no longer distinguished by its former briskness, while the phase we know as the crisis is particularly destructive in its disastrous effects.

Above all, the boom phases of the cycle preceding the crises are not so wide in extent as they used to be in previous stages of capitalist development.

The fact should be known, in this regard, that a boom did not by any means precede the present crisis in all capitalist countries.

Whereas, for instance, many capitalist countries, the U.S.A. among them, were experiencing a boom phase up to 1929, on the other hand, in such important countries as Britain and Germany, there was no perceptible boom of any size at all to be noticed—rather did their development, on the contrary, display a stagnating character all through the years preceding the present crisis. Thus the level of production in Germany compared with 1913 stood at 100 per cent. in the year 1927 ; at 102 per cent. in 1928 ; and at 101 per cent. in 1929. In the case of British capitalism we see still more plainly that it was simply marking time in the few years before the crisis and, even with the development of "new" industries, did not reach the 1913 level. In many main industries pre-war level was not reached at all.

Even in countries which were enjoying a boom period prior to the outbreak of the present crisis the boom was not of a general nature. And while bourgeois and Social-Democratic propagandists of American "prosperity" were untiringly shouting themselves hoarse over the unprecedented extent of the post-war boom, even the Hoover Commission had to bear witness to the very opposite—the fact that that particular boom had not proved itself nearly so general in its scope as it might have been.

"While industry as a whole has been prospering," the Commission observes in its general survey, "some branches have been languishing, especially ship building, plants for the manufacture of railroad material, and agriculture ; to a lesser extent, the textile, coal, and boot and shoe industries." (*Recent Changes in U.S. Economy*, Part ii.)

Particularly important as marking peculiar features of the pre-crisis boom is the fact that the world over the farming industry had been passing through a severe agrarian crisis which was especially acute in the colonial countries. In the U.S.A. as well there came wholesale ruin for the farmers during the period of so-called prosperity.

Besides agriculture, quite a number of the most important branches of industrial production were in a state of stagnation in the few years just prior to the

crisis, and that, too, not only in the United States, but all over the world.

The special feature of the last "boom" was not merely that it was not of a general character, but that in this so-called period of good trade, the rate at which industrial production rose was, to say the least, sluggish. Thus—to take the United States—the output of minerals and raw materials rose in the five years 1902 to 1907 by an annual average of 8·8 per cent.; production in the manufacturing trades by 5·8 per cent.; that of pig iron by 9·7 per cent.; and of coal by 9·2 per cent. During the "prosperity" wave, i.e. from 1922 to 1927, the rate of annual increase in industrial production was considerably less: for minerals and raw materials 5·7 per cent.; in the manufacturing trades 4·4 per cent.; for pig iron 4·1 per cent.; and for coal 2·2 per cent.

Furthermore, it was not stagnating branches of industry alone which revealed a slackening rate in the growth of industrial production as compared with pre-war, but also branches which had reached the peak of the boom. Thus the output of the automobile industry in the U.S.A. grew from 1904 to 1908 by 42·4 per cent.; from 1919 to 1923 by 16·9 per cent.; and from 1924 to 1929 by a mere 4·7 per cent. yearly.

Another characteristic earmarking the boom which preceded the crisis and one observable in all countries which experienced a boom of any size at all, is to be seen not only in the general slackness of that period of good trade, but also in the frequent and violent breaks by which it was marked. A case in point is the United States itself where the boom which set in after the 1921 crisis was twice violently broken; once in 1924 and again in 1927, when there was a spectacular drop in industrial production together with a marked decrease in prices, a vast increase of the ranks of the unemployed, etc. In the case of the 1924 break the volume of production by the manufacturing trades of the U.S.A. went down by 23·4 per cent. and in the 1927 break by 11·6 per cent. In the first case, too, the index of wholesale prices sank by 9·8 per cent.; in the second case by

9·4 per cent. As regards the number of workers in employment the decline was by 16·8 per cent. and 10·1 per cent.

Capitalism's general crisis was most distinctly seen during the boom phase in the fact that even then the machinery of production was running continuously at far below working capacity, and chronic unemployment existed. Thus, to consider the example of the U.S.A., in the period from 1922 to 1928 the blast furnaces of that country were worked at an annual average of 67 per cent. of producing capacity; the percentage for open-hearth furnaces being 73·8, for Bessemer steel production 65·4, and for electric furnaces 41·6. In Germany steel production from 1926 to 1929 averaged an annual 86 per cent. of producing capacity.

In all capitalist countries protracted and obstinate unemployment, affecting very large sections of the industrial workers, was the consequence of having such enormous quantities of the machinery of production running at so far below working capacity. Data relative to unemployment in the United States are exceedingly incomplete and give an extremely inexact idea of the actual position there. Yet even these figures, far from accurate though they be, enable one to gain some conception of the monstrous dimensions of the unemployment that prevailed during the boom period. There is the opinion of the Hoover Commission, for instance, which is that since 1922 unemployment in the U.S.A. has never sunk below 5·6 per cent. of the total number of employed workers, i.e. anything from one and a half to three million persons. The same Hoover Commission which cites these figures in its reports admits that they "suffer from considerable inaccuracies. They lessen the seriousness of unemployment."

More noteworthy still are the figures for Germany, where, according to estimates by Kuczynski covering the good-trade phase lasting from 1908 to 1913, the average number of out-of-work trade union members ran to 2·3 per cent., while from 1924 to 1929—that is, the years immediately preceding the present crisis—the average number of unemployed was never less than

11·6 per cent. (Kuczynski, *Finanz-politische Korrespondenz*, No. 17, May 1931.)

Yet these figures for Germany likewise lessen the actual dimensions of that country's unemployed army, as they refer only to the wholly unemployed, whereas since the war partial unemployment (short-time) has developed tremendously. For Britain pre-war unemployment figures ranged round 2-3 per cent. in periods of good trade. Since the war they have never been less than 10 per cent.

Moreover the continued fall in prices showed the drag on the boom.

As we see, then, the period just previous to the present crisis is not only marked by a sluggish boom wave in those countries which had any good-trade phase to record, but also by the fact that a number of countries in which the crisis has acquired particularly disastrous forms had failed to emerge at all from their state of stagnation all through the pre-crisis years.

The slackness and circumscribed nature of the boom and the remarkable depth of the crisis now gripping the world spring from a common cause. The feebleness of the forward-moving period of good trade is due to the slow break-up of modern capitalism in decay and to the insoluble character of capitalist contradictions in the period of the general crisis of capitalism. It is impossible for capitalism ever again to pass through booms as high as those it experienced when it was a vigorous and growing system.

3. Special Features of the Present Crisis

(*a*) duration of the crisis

The present crisis has continued for years now, yet nowhere are any signs of a revival to be glimpsed.

Without historical precedent of any kind, one of the most characteristic and vital earmarks of the present crisis is its greatly protracted nature.

The first rumblings of the crisis had made themselves heard during 1928 in Rumania, Poland, and the Balkans; and towards the end of the same year it had

practically all the agricultural borderlands of capitalism in its grip. Then sweeping with incredible fury over the mightiest country in the world, the United States of America, in the second half of 1929 it spread over the rest of the capitalist world.[1]

Whenever there is the slightest partial improvement of the trade situation in any section whatever of capitalist economy bourgeois economists use the opportunity on each fresh occasion to prophesy the end of the crisis. And every time, after a light and partial recovery in this particular direction or that, there is a fresh ebb of the tide which brings about a greater sharpening of the crisis in those very branches of industry which had just been responsible for raising hopes of a new boom among these poetic apologists of capitalism.

In this connection it is interesting to note that at the general meeting of the shareholders of Barclays Bank Limited in January 1931, the Chairman of the Bank, F. C. Goodenough, said the following:

"A study of the industrial history of this country seems to show that there has always been an ebb and flow of industries of varying character and that while some industries have declined others have been growing up to take their place. This has perhaps occurred to a greater extent in recent years than during any previous period, but while certain of the new industries are making substantial progress they are not developing sufficiently rapidly to counteract the decline which is taking place in many of the more important older industries."

Goodenough is a typical representative of the banking interests in England. Speaking to representatives of the finance capitalists and not for "popular consumption" he tells the truth. He knows with the instinct of the decaying capitalist class that capitalism is decaying at its very foundations. In 1933, again at the general meeting, he repeats the same sentiment:

"There are some slight signs of improvement at home in a number of our industries, and also in the prices of certain agricultural produce. The causes of this improvement are

[1] See *World Economic Survey, League of Nations* (Allen and Unwin, 6s.) for a statistical statement of the course of the crisis.

not yet clearly established. . . . However this may be it would seem as though the process of recovery from the depression in industry and trade will be slow.

" Unfortunately whatever may be the underlying causes, the improvement may, at the outset, be accompanied by an increase in unemployment. . . ."

The change in the note of the two speeches is interesting. The first offered no hopes of a way out of the crisis. The second, making the most of what superficial signs there might be of a change, acknowledges their absence of any real basis, and hints at a way out of the crisis at the cost of greater unemployment. In a word a way out of the crisis at the expense of the working class.

(*b*) GENERAL NATURE OF THE CRISIS

The present crisis is sweeping the *entire* capitalist world—*all* the colonial and semi-colonial lands. Save for the U.S.S.R., there is not a single country that is not suffering from its effects.

This does not mean, however, that the crisis has been spreading with the same fury and at the same rate in different countries. Imperialism, especially its post-war stage, has strengthened to an extraordinary degree capitalism's tendency towards unequal development. This is due largely to the operation of Monopoly Trusts and the Finance Oligarchy. Imperialism's inevitable tendency to heighten the inequalities of capitalist development has likewise found expression in the circumstance that different countries entered the crisis at different times, *in the unequal advance of the crisis as it spread its hold, and in the extreme inequality revealed in the extent of the effects of the crisis* in different branches of production and in different countries.

In all previous crises certain branches of production have maintained their pre-crisis level despite the general dislocation of capitalist economy as a whole—have even been able to go beyond that output level in some cases. Except for the war industries, which even in this period of crisis are at present experiencing an upward movement, there is, literally, not a single branch of industry which has not been caught up by the crisis. *All*

countries and all branches of industry without exception throughout the whole of capitalist economy have been hard hit indeed by the crisis, so that, in a word, it may be truly said that the crisis has thoroughly spread its hold over the entire world in a way unknown in any previous crisis.

(*c*) THE DEPTH OF THE CRISIS

The present crisis has acquired dimensions which make it unique in the history of capitalism. Thus, during the crisis of 1873-4 world trade decreased 5 per cent., in 1883-4, 4 per cent., 1890-1 it increased 0·5 per cent., in 1900-1 it only dropped 1 per cent., during 1907-8 the decline was 7 per cent. But during the present crisis, world trade suffered a drop of over 50 per cent. Comparable figures for other branches of production could be cited. In Germany, e.g., the general level of production never sank below more than 7·5 per cent. from the peak reached by any boom to the lowest trough of its subsequent crisis during the period from 1890 to 1922. In the present crisis German production has fallen by 40 per cent.

The figures of industrial production for the leading centres show the extent of the impact of the crisis. World industrial production has fallen by at least 38 per cent. between 1929 and 1932 (*Institut fur Konjunktur*).

INDUSTRIAL PRODUCTION

1927-9 = 100

	1929	1930	1931	1932
U.S.A.	106	86	72	57
U.K.	103	96	87	86
Germany	102	91	74	61
France	111	112	99	77
Japan	110	104	99	106
Canada	109	92	77	63

The only country which has shown an increase (except Japan which has a war spate on) is the U.S.S.R., where production rose to a level of 204 per cent. in the period.

The decline in production and trade since the end of the period of temporary stabilisation is shown below:

PERCENTAGE DECLINE C.F. 1929

		1930	1931	1932
U.S.A. :	Production ...	19	32	46
	Exports ...	17	33	48
U.K. :	Production ...	8	16	17
	Exports ...	18	37	37
Germany :	Production ...	11	27	40
	Exports ...	5	14	41
France :	Production ...	1	11	31
	Exports ...	8	22	40

World trade decreased in 1932 by 56 per cent. compared with 1929, by 45 per cent. compared with 1930 and by 25 per cent. compared with 1931. Some figures of the decline for leading countries are appended (values, converted to £ at par) :

PERCENTAGE DECLINE OF EXPORTS IN 1932 COMPARED WITH

	1929	1930	1931
U.K.	50	36	6
Australia	38	11	+8
Canada	58	44	18
India	58	46	18
Malaya	65	51	20
U.S.A.	69	58	34
Germany	57	52	40
France	61	54	35
Italy	55	44	33
Japan	35	5	+22

The position in heavy industries is shown below :

U.K. INDICES. 1924=100

	1929	1932	1933[1]
Industrial Prod.	112	93·1	—
Employment	107·3	98·4	99·1
Wholesale Prices	82	61·1	59·5
British Exports	108·3	66·1	65·8
Imports	114	102·9	99·4
Coal	96·1	78·3	84·1
Steel	117·7	64·1	73·4
Cotton	105	88	95
Building, Dwelling	117	124	146
,, Other	140·5	94	114

[1] First quarter.

U.K. Industrial Production

	1930	1931	1932
Mines	91	82	77
Iron and Steel	89	66	66
Non-Ferrous	119	100	96
Eng. and Ship	117	95	88
Textiles	79	77	85
Chemical	99	95	98
Leather	101	99	96
Food, Drink and Tobacco ...	105	104	98
Gas and Electricity	139	142	146
All manufactures	106	97	97
All	103	94	93

Coal Production

Average monthly in tons

	1924	1929	1932	Feb. 1933
France	3·6	4·4	3·8	3·8
Germany	9·7	13·4	8·6	8·6
U.S.A.	42·5	45·3	26·4	28·0
U.K.	22·3	21·5	17·4	17·8

Steel. '000 tons

	1924	1929	1932
France	565	795	460
Germany	806	1,332	472
U.S.A.	3,161	4,703	1,091
U.K.	483	803	438

The Preparatory Commission of Experts for the Economic Conference described the crisis at the end of 1932 :

" Unemployment has recently been estimated by the International Labour Office as involving at least thirty million workers (excluding the workers' families and many millions of peasants, etc.) Probably an under-estimate. . . .

" Wholesale commodity prices—expressed in gold—have declined since October 1929 by roughly a third ; raw material prices on the average by 50 to 60 per cent. (wheat prices at the lowest level during the past four centuries). World stocks of agricultural products in 1932 were double those of 1925.

" Industrial production has been drastically curtailed, particularly in those industries producing capital equipment. . . . The international flow of goods hindered by currency disorders and restricted by a multiplicity of new governmental regulations has been reduced to incredibly low levels. The total value of world trade in the third

quarter of 1932 was only about one-third of that in the corresponding period of 1929. Moreover the quantum of goods in foreign trade appears to have fallen by at least 25 per cent. ; by far the largest fall in record. . . . National incomes in many countries have fallen, it is estimated, by more than 40 per cent. . . a series of budget deficits which, in some cases, have reached unprecedented proportions. . . .

" Only a handful of countries now retain free and uncontrolled gold standard currency systems. Almost half the countries of the world are off the gold standard, and, in some forty countries, exchange restrictions have been imposed. . . .

" Currency disorganisations, price declines, curtailment of trade have thrown into sharp relief the vast and difficult problems of indebtedness with which many, if not most, countries are confronted as matters now stand ; there are countries the total value of whose export trade has fallen below the sums required for external debt service alone. . . .

" Facts such as these," say these bourgeois commentators, " indicate the extremities to which the forces of disintegration have already carried the economic and financial world."

These extracts from the Report of bourgeois economists are an admission that capitalism has reached no stabilisation. The precarious stabilisation reached between 1923 and 1928-9 has broken up. The temporary gains have been wiped out. The capitalist world no longer has stabilisation, not even a temporary, relative, decayed shaky stabilisation. By contrast the advances made in the Soviet Union stand out more clearly.

We turn to certain aspects of the crisis.

(*d*) THE INDUSTRIAL SLUMP AND AGRARIAN CRISIS INTERLINK

One of the outstanding features of the present crisis lies in the union of two streams of crisis. The industrial crisis links up with the chronic agrarian crisis which is affecting every species of production of foodstuffs and raw materials.

On this point Engels had already written :

" As long as over-production was restricted to industry history was only half written after all, but when agriculture

is applied in the tropics just as well as in the temperate zone, it is then things really start moving." (*Correspondence between F. Engels and K. Marx.* Complete edition, section 3, Vol. ii, p. 254.)

The special acuteness and depth of the agrarian crisis is seen chiefly in the catastrophic collapse of prices for agricultural produce. The indices of prices of eight typical primary products (1923-4=100) fell as follows :

Dec. 1927	84
1928	75
1929	69
1930	43
1931	30
1932	26

In some cases the fall was much more severe than in others. The position in December 1932 for various products was :

Coffee, N.Y.	52
Cotton, N.Y.	22
Rubber, N.Y.	8
Silk, Jap.	22
Sugar, N.Y.	21
Tea, London	28
Tin, N.Y.	45
Wheat, Liverpool	31

The crack in agricultural prices developed in 1928 before the general collapse due to the excessive capacity for production in conditions of a general decline of capitalism.

Stocks of primary products have increased out of hand. Thus, taking the period 1923-5 as 100, at the beginning of 1933 stocks of coffee were 402, of cotton 229, of rubber 337, of silk 206, of sugar 312, of tea 145, of tin 212, of wheat 236. The total stocks had risen over 2½ times—and prices had come down to one-quarter of the basic period.

A special feature of the crisis was that prices to primary producers were below the general level of the prices of commodities they needed to buy. In the U.S.A. for instance, the index price of farm products in 1920 was about the same as the costs of farm production (i.e. chiefly things they needed to buy). By 1929

the former was 17 per cent. lower. By 1932 it was 50 per cent. lower :

1910-14 Price Level=100

	1920	1929	1932
Farm products	205	138	52
Farm Prod. Costs	206	155	106

The exchange value of farm products thus fell by one-half. In the case of certain products (e.g. wheat which fell to 33) it was a greater fall.

The farming income of the U.S.A. dropped from 16,000 million dollars in 1920 to 11,000 million dollars in 1929 and to less than 5,000 million dollars in 1932. This enormously closed up the market for industrial goods.

In Britain the same disparity showed itself, with the same result of dragging the industrial crisis into the agricultural crisis. Colin Clark, a bourgeois economist, shows that taking 1924 as 100, while wholesale prices of raw materials and semi-finished goods in 1931 had fallen to 63, the price level of all output was 91 and prices of consumptive goods was 87. The Census of Production, again, records that the average value of exported manufactures fell by 17 per cent. between 1924 and 1930, but wholesale prices fell by 28 per cent. The prices of the primary producers in colonial countries as we have seen fell by 40., i.e. 60 per cent. The great disparity here has particularly increased the industrial crisis in Britain.

In Germany in 1931 the index for manufactured goods stood at 136, while for agricultural products it was 101 (1913=100).

The Labour report for the Commonwealth of Australia for 1930-1, taking 1911 as the base of 1,000, shows that between 1929 and 1931 the prices of metals and building materials, both important groups of commodities which the farmers must buy, fell in the case of metals 56 points while building materials increased 916 points. During the same period the wholesale price of agriculture products in Melbourne fell 387 points. The prices of wool and meat not included in the above fell approximately 642 and 763 points respectively.

In New Zealand the Government statistician has con-

structed a table which compares the prices on items of farm expenditure and the export prices of pastoral and dairy products. On a base of 1914 as 1,000, prices for farm expenditure, i.e. the commodities which farmers must buy, shows a fall of 146 while the export price of farming products show a fall of 611 points.

The comparison of the prices of producers' goods, i.e. building materials, metals and metal products and consumers goods, i.e. farm products, textiles and house furnishings in the U.S.A., is seen in the U.S.A. Taking 1929 as 100 in both cases, producers' goods by January 1933 had fallen to 76 per cent., whereas consumers' goods were only 59 per cent. This comes, says the *Westminster Bank Review* (April 1933)

" partly from an unusual rigidity in the prices of capital equipment—a tribute to the process of the cartel, which has particularly flourished in such industries."

This is an acknowledgment of the power of monopoly.

The League of Nations sums up the matter :

" The difficult situation has been created, therefore, that prices of finished goods are too high relatively to raw materials, and producers' goods relatively to consumer's goods."

That is, that consumption is still further depressed in comparison with the production forces : that the trusts have made " the crisis particularly painful and ruinous for the mass of the people who are the basic consumers of commodities." (Stalin, *Leninism*, Vol. ii, p. 314.)

All these figures regarding the great discrepancy in the movement of prices as between agricultural and industrial commodities only go to reveal still more clearly the general and deep-cleft inequality in the extent of the crisis and the effects of its repercussions. They merely show the deep thrust of the agrarian crisis and enable one to realise how heavily the colonial countries are being made to suffer under the agrarian crisis owing to the fact that their output has fallen disproportionately lower in price than have all other commodities. The modern crisis has brought in its wake wholesale ruination of the peasantry and farming class

and is causing appalling impoverishment for many millions of peasants, especially in the colonial and semi-colonial countries. Another effect of the agrarian crisis is to further sharpen and extend the industrial crisis, the full burden of which is being swung on to the backs of the working class.

The crisis of to-day is thus seen to be, if judged by all its main characteristics (protracted nature, general extent and depth, and the interlinking of the industrial slump with the agrarian crisis), not only anything but a milder crisis when compared with pre-war crises, but is, on the contrary, the worst in the whole history of capitalism, as even bourgeois economists are having to admit now.

As we have seen the crisis has affected the principal countries of capitalism; the industrial crisis has become interwoven with the agrarian, and as we hinted in the last section, another factor is at work.

"Present-day capitalism, as distinguished from older capitalism, is *monopolistic* capitalism, and this inevitably gives rise to the struggle between capitalist countries to maintain high monopolist prices of commodities in spite of over production. Obviously this circumstance, which makes the crisis particularly painful and ruinous for the mass of the people, who are the basic consumers of commodities, cannot but lead to the dragging out of the crisis, cannot but retard its dissipation." (Stalin, *Leninism*, Vol. ii, p. 314.)

Monopolist capitalism represents in itself a gigantic socialisation of production, while at the same time the private appropriation of the fruits of this socialised production is maintained intact as an institution. It is driving on the main contradictions of capitalism to their utmost limits. The monopolies existing alongside the ordinary competitive system cannot but make worse confounded the chaos and anarchy of all social production. The unequalness of capitalist development, which assumes particularly crude and open forms under imperialism, creates deep-driven discrepancies as between the development of industry and agriculture, between the light and the heavy industries, and between the various branches of capitalist production.

The same imperialism which brings vast wealth to a handful of financial magnates also makes for the impoverishment of the broad masses on a huge scale owing to the way it tightens the grip of exploitation in all its forms, to steadily rising walls of protective tariffs put into operation by the monopolies, to the high monopoly prices which have to be paid for the foodstuffs consumed by the workers, and owing, lastly, to the general rise in the cost of living.

Strong in their power, the big monopolies endeavour to shift the burden of the crisis on to their weak, non-monopolist opponents in industry, but chiefly on to the backs of the workers and farmers. They do their best, even during the crisis, to check any fall in the prices of their goods, a thing they are successful in doing, within certain limits and for a certain length of time. The slower, however, the crisis is in passing, the more it spreads and deepens and the more acute the forms it assumes.

For, as Stalin also pointed out:

"The present economic crisis is developing on the basis of the *general crisis* of capitalism, which began during the period of the imperialist war, undermined the foundations of capitalism, and paved the way for the present economic crisis."

Capitalism no longer represents the only sole-embracing system of world economy—there is now the Soviet Union. The grip on the colonial and dependent countries has been shaken and native rival capitalisms have grown up there. A heritage of permanent unemployment has been left. Imperialist antagonisms are sharpened. The struggle with the workers is sharpened. (For all this see Stalin op. cit.)

This marked sharpness and depth of the crisis and the way in which its whole character is conditioned by capitalism's general crisis is most plainly demonstrated beyond all dispute by the phenomena bound up with the fresh sharpening of the crisis in the summer and autumn of 1931, which took the form of a broad-driving wave of wholesale bankruptcies, including also the bankruptcies of monopoly giants in the industrial and

banking world, as well as in sudden crises affecting money, credit and currency and valuta operations. Finally, it recorded itself in the further extension of the agrarian crisis and in the deepening impoverishment of the mass of the working class.

(*e*) MONEY AND CREDIT CRISIS

Right at the very beginning of their development previous crises used to be accompanied by a violent shaking of credit and the raising of the rate of interest on loan capital.

" That means of payment are scarce during the period of crisis, goes without saying,"

wrote Marx (*Capital*, Vol. iii, p. 575). The general quest for means of payment inevitably led to the raising of the rate of interest on loan capital; and as Marx observes:

" In times of crisis the demand for loan capital, and with it the rate of interest grows." (*Ibid.*, p. 602.)

Nevertheless the present crisis was accompanied during the first year and a half of its development by a superfluity of the available means of payment and a sinking in the rate of interest on loan capital. The fact moved many bourgeois economists (including the Social-Democrats) to rejoice at what they supposed to be a victory over Marx, who maintained that industrial crises must of necessity be accompanied by credit crises.

They did their utmost to prove that as the result the crisis was weakening its hold, suitable references being made to the tremendous power of the modern banks and the " organised nature " of the credit and banking system under monopoly capitalism, and advanced the contention that the present crisis was not going to extend to the spheres of credit and banking. The realities of the situation, however, confirmed Marx's words that:

" So long as the social character of labour appears as the *money-existence* of commodities and thus as a *thing* outside

of actual production, money crises are inevitable, either independently of crises or intensifying them." (Marx, *Capital*, Vol. iii, p. 607.)

For what was the actual position? First as to the apparent superfluity of cash. This was not cash available for production—available even for the big trusts. The big trusts *were*, in many cases very evidently, in Marx's words, "lacking means of payment." In Britain, the iron and steel, cotton, and coal combines for instance, were often "in the bank," owing immense bank overdrafts. As the production crisis spread so bankruptcies amid the small fry, bank overdrafts and "arrangements," etc., among the trusts hit by the crisis, spread. The big trusts, in action with the banks, were able for a time to stave off trouble by driving the small fry to the wall, by compulsory amalgamation, etc.

At the same time another factor operated. The strengthening of parasite capitalism, in the period of capitalism's general crisis, has found expression, among other things, in the enlarging of all non-productive spheres of capitalist economy. This showed itself especially in Stock Exchange speculation. In the U.S.A., for instance, during the period from 1924 to 1929, the index of the prices of shares on the Stock Exchange rose from 100 to 324 (third quarter 1929). In some cases fantastic prices were paid. A pyramid of fantastic "values," based on gamblers' "margins," was run up. The first evidence of the production crisis caused this pyramid to collapse. The share index fell to 324 in the third quarter of 1929, to 167 at the end of 1930, to 74 at the end of 1931, to 42 in the middle of 1932, rising slightly to 54 at the end of 1932. At the same time the new capital issues fell away (new capital issues under present conditions are only a form of Stock Exchange gambling; they hardly represent new-production forces at all). For instance, in the U.S.A. from a monthly figure of 1,150,000,000 dollars in the third quarter of 1929, new issues fell to 374,000,000 dollars in the fourth quarter of 1930; during 1931 it continued to fall and in 1932 averaged only 142,000,000 dollars. In Britain the comparable figures were:

Average	Stock Prices Industrials	Fixed	New Capital Issues For U.K.	For abroad
	%	Interest %	£ m	£ m
1924 ...	100	100	7·4	11·2
1929 (peak)	147	98·8	23·0	15·1
1930 (Dec.)	99	103·3	10·4	5·4
1931 (Dec.)	81	90·2	2·7	—
1932 (Dec.)	91	122·7	4·0	0·3

The collapse of this fictitious super-structure of values, which began to crumble as soon as production fell away, combined with the fact that there were no new points in which to invest with any hope of profit, led to an immense accumulation of cash in the hands of the rentiers. Thus, in Britain the position of Deposits and Loans and Advances changed as follows (nine English clearing banks) :

Jan.	Deposits	Loans and Advances
	£ million	
1928	1,747	923
1929	1,810	956
1930	1,767	969
1931	1,836	907
1932	1,677	889
1933	1,944	750

The general trend is a great increase in deposits, idle money. The loans and advances, on the other hand, have fallen : they must now be getting near the " hard core " of unrecoverable advances. The result was that the interest rates on money, newly loaned to other capitalists, have fallen. The average market rate for three months' bills on the London markets which stood at £5 5s. 4d. in 1929 were down at £1 16s. 9d. in 1932 (average), and revealed the utter bankruptcy of all theories as to the supposed immunity of bank credit and monetary circulation against the effects of crisis under monopoly capitalism.

The crisis spread therefore to the financial centres. They were able to postpone its blows but only for a time. The first cracks came in Central Europe when the Credit Institute of Austria closed in the late summer of 1931. This was followed by collapses in Germany and elsewhere. Moreover many of the " finance indus-

trialists," products of the boom years, collapsed—Kreuger, Hatry, Insull and so on. The efforts of the German Government to bolster up its big banks, and of Hoover's efforts with his " moratorium " and the policy of the " standstill agreements," i.e. non-payment of interest to help Germany, failed. The washing away of credit continued.

It involved first of all the United Kingdom. The balance of trade had been going steadily against her for some time. The balance of visible trade, as is the case in all parasitic imperialisms, had been adverse for years. Now the profits of financial manipulation and oversea tribute fell. The figures approximately are :

BALANCE OF PAYMENTS (£ MILLIONS)

	Adverse Balance	Overseas Tribute	Net Balance
1922	−176	+175	+149
1923	−208	+200	+140
1924	−338	+220	+ 72
1925	−392	+250	+ 46
1926	−463	+250	− 14
1927	−387	+250	+ 82
1928	−352	+250	+123
1929	−381	+250	+103
1930	−386	+220	+ 28
1931	−408	+170	−104
1932	−289	+140	− 59

The result was that the British Finance Oligarchy, as a desperate move against its rivals, decided to abandon the gold standard. This was a breach in the monetary unity of capitalism. It opened up currency war, in a new, more disorganised form. It weakened the British financiers where tribute was paid in sterling because they received less goods and also as a financial centre, but it strengthened them in the world market, as their prices were quoted 20-30 per cent. below those of their " gold standard " rivals. Actually it started a general departure from gold. In the next few months forty-five countries left. Currency war became general. The relative position of the leading exchanges is shown below. It will be seen that while the British exchange rate was below the rate for French and U.S.A. currencies, yet the Japanese had depreciated even further.

RANGE OF EXCHANGE FLUCTUATIONS AS PER CENT. OF GOLD PARITY DURING 1932

Great Britain	9·76
France	1·11
Japan	27·49
U.S.A.	8·03
Average	8·95

The next stage in the crisis was the reiterated collapse in the U.S.A. The position of the big banks, who were strengthening themselves, disguised the constant disintegration that was going on among the smaller banks. Five thousand independent rival bank competitors had been wiped out before 1929. But many of the big banks were tied up with speculation in stocks, in real estate, in instalment lending, public utility, fictions, etc. They had big loans to Germany and overseas; they were affected by the Kreuger and Insull and Stevens failures.

In 1930 twice as many banks suspended as in 1929, including eleven with capital of over one million dollars each. In 1931, especially during the last four months, bank failures rose to a record height.

The banks got Government intervention in October 1931 to set up a National Credit Corporation to advance loans to "unfreeze" assets. The Reconstruction Finance Corporation poured billions of dollars to the big banks (who used it to extend their grip over small banks and independent producers).

But it did not suffice. Hoarding set in. The production crisis continued.

The collapse of the biggest banks in Detroit led to a banking holiday in Michigan in February 1933. Further "runs" set in: and a general banking holiday was declared in March 1933. So much for the impossibility of the crisis touching the banking structure!

Out of the banking holiday the big commercial banks emerged with an even greater grip on the resources of the country. Ten of them control already 19 per cent. of the total commercial deposits. Now large numbers of their smaller rivals were refused a re-opening. National-wide branches were allowed for the first time. Inflationary proposals were begun, with their hands in the

purse. At the same time, in order to push inflation and to aid U.S.A. manœuvres in the world economic war, the dollar was cut adrift from gold.

Summary of the Crisis

The crisis which began in 1929 has therefore taken another turn. It marked the ending of the temporary stabilisation of capitalism. The roots of that stabilisation were defined by Stalin as follows :

1. Despoliation of Germany (agreement between U.S.A., Britain and France).
2. Exploitation of China (agreement between U.S.A., Britain and Japan).
3. Exploitation of colonies—agreement to allow spheres of influence to remain.
4. Possibility of joint attack on U.S.S.R.[1]

These conditions do not remain the same. The advance in production and trade, in the financial superstructure due to this temporary stabilisation, have been swept away. The temporary stabilisation was itself part of the general decline of capitalism ; the mark and feature of the crisis which opened in 1928-9 is that it is super-imposed on the general crisis.

It takes place, then, at a certain period in the development of monopolistic imperialism. This fact introduces certain complications into it.

1. Monopolist mergers and the Finance Oligarchy find ways to maintain their position in spite of declining production.
2. They strain every nerve to maintain monopoly prices, as against the workers and peasant producers (by holding stocks, destroying property, agreements, tariffs, etc.).
3. The gigantic concentration of capital has led to a great growth of the organic capital. (To this must be added the huge debts, fixed charges, watered capital in all forms, and so on.) These make a reduction of production costs, except by cutting wages and labour cost, extremely difficult to the monopolists who have created the conditions

[1] Stalin, *Leninism*, Vol. i, p. 225-6.

which strangle them. A further corresponding feature is :

4. The intervention of the monopoly trusts and large banks to keep up prices—and thus further restrict the market and keep up prices, and secondly the effort to keep these huge, over capitalised, dying, bankrupt enterprises from open collapse.
5. This leads to further concentration of power in the hands of the Finance Oligarchy, which also moves openly, dominates and works in with the State power.

Examples in the U.S.A. (Reconstruction Corporation), Germany (D. Banks, etc.), Britain (electricity, transport, Bank of England), are numerous.

The Finance Oligarchy is the central hard core which keeps the policy of monopoly capitalism to the front. As a result the crisis, instead of working out in the usual way of pre-war crises, has numerous new and significant features vitally affecting its development.[1]

The further political consequence of this is that the new epoch in the crisis is marked, not only by more intense and deep-bitten economic war (currency, tariffs, dumping, etc.), by new attacks on the workers, by further contrasting growth of the Soviet Union, but by a new stage in imperialist politics.

" The end of relative capitalist stabilisation has come. But a directly revolutionary situation has not yet arisen in the important and decisive capitalist countries. What is taking place at the present moment is the *transition* to a new round of big clashes between classes and between States, a new round of wars and revolutions." (*Theses of XII Plenum E.C.C.I.*, Modern Books, Workers' Library Publishers.)

QUESTIONS

1. In what is the general crisis of capitalism expressed ?
2. What forms does capitalism's general crisis assume in the present cyclical crisis and in what lie the special features of the present cyclical crisis ?
3. What place is occupied by the money and credit crisis in the present crisis as a whole ?

[1] *The World Economic Crisis.* L. Madyar, Modern Books, Workers' Library Publishers. See also proceedings at XII Plenum, E.C.C.I., same publishers.

VII. The Present Crisis and the Proletariat

In all previous crises the main weight has been borne by the working class. But in the present crisis, occurring in a period of monopoly capitalism and with a constant downward sweep, the effects on the workers have been even more devastating. In the first place the volume of unemployment has been enormous. Even bourgeois statisticians admit to a total of 35 millions, excluding the families of the unemployed and the millions of peasant producers that have been reduced to penury. Official figures show 22 per cent. of the British workers unemployed and 34 per cent. of the American workers.

In the second place the monopolists, who have more and more openly acted through the machinery of the State, have been able to drive down the position of those workers who are employed and to worsen the position of the unemployed. Thus, even according to official figures in Britain since 1929, there has been a wage cut of at least 10 per cent. In Germany the weekly wage of German industrial workers has decreased from 42·2 marks in 1929 to 22·1 marks in 1932. In America the fall of weekly wages was from $27 in 1929 to $12·35 in June 1932. In Spain the real wages of the proletariat fell by 30 per cent., and the new taxes reduced the standard of life by a further 30 per cent. Even the unprecedented low level of wages in China has been reduced: Chinese textile workers in 1929 received 30 silver dollars a month but in 1931 their monthly wages had dropped to 18 silver dollars. (See *Guide to XIIth Plenum.*)

At the same time, through various speed-up systems, the conditions inside the workshops have been made very much more strenuous.

The State, which is now completely in the hands of finance capital and acting as an open dictatorship, has also been used ruthlessly to reduce the standard of living of the workers. Thus in Britain 1½ million workers have been cut off the unemployment insurance and the

rates of unemployment insurance and of Poor Law Relief have been ruthlessly cut. Further, indirect taxation has been added to and the percentage of total taxation which is paid indirectly, i.e., through food stuffs, etc., has risen.

Further, the monopoly organisations have been enabled to put incredibly high duties on imports. The most significant change-over in this respect was perhaps in Britain, which has always been the "home of free trade." Though before 1931 many tariffs were in existence, yet since the National Government got in the great bulk of imports have been taxed, and taxed highly.

The departure of the pound from gold also had the effect of raising prices, or at least of keeping British internal prices at a higher level than world (gold) prices.

Taking the time before Britain departed from the gold standard (September 18th, 1931) at 100 the world gold price of raw commodity prices had fallen by March 1933 to about 80, while British prices were still 99. The effect of the U.S.A. departure from gold and the beginning of inflation is seen in both U.S.A. and British prices, which in the middle of May stood at 86 and 103.

While the big monopolists have not been able to prevent an absolute fall in prices they have succeeded in keeping back the fall in retail prices, the prices the workers pay, as against wholesale prices. For Britain, if we take 1924 as 100, the "price level of all output" by 1931 had fallen only to 91 per cent., and of consumptive goods to 87·5 per cent.—while wholesale prices of raw and semifinished goods was 61 per cent. (Figures from Colin Clark *The National Income*, Macmillan). Even if we take the official Government figures for Britain and the United States we find the following:

	Great Britain		U.S.A.	
	Wholesale Prices	Cost of Living	Wholesale Prices	Cost of Living
1929 ...	100	100	100	100
1930 ...	88	96	91	96
1931 ...	76	90	77	87
1932 ...	74	87	68	78

The same disparity ran back into earlier figures, indicating the power of the monopolists to hold up retail prices.

In the case of raw cotton prices in British markets, for instance, while raw cotton fell by 59 per cent., yards fell only 48 per cent.; hides fell 62 per cent. while sole bends only fell 33⅓ per cent.; " among iron and steel products which are subject to well-maintained agreed prices, Cleveland No. 3 iron has been reduced by nearly 20 per cent. since 1930, but the average reduction in bars and steel rails has been little over 5 per cent. Prices of the fully finished products, making allowance for changes in quality and style, show still a smaller fall than those of the semi-manufactures." (*Westminster Bank Review*, April 1933.)

In this manner the present crisis is worsening the position of the working class. That on the one hand; and on the other, it is uprooting and displacing the labour aristocracy which had arisen under imperialism. With its steady curtailment of the source of surplus profits tapped by the monopoly organisations, the effect of a modern crisis is to make it no longer within the means of the monopolies to corrupt the upper strata of the working class out of these profits to the same extent that they used to do.

The present crisis is bringing about the wholesale ruin and indescribable poverty of all working sections of society and thus effecting their consolidation under the leadership of the proletariat in the struggle against the bourgeoisie.

Naturally, individual sharks of big business are also suffering under the blows of the crisis, yet owing to this very crisis a handful of the captains of the Finance Oligarchy are strengthening their own position through the ruination of the capitalists of lesser breeds and by extending their shameless robbery of the working class.

As Lenin writes:

" If, during periods of industrial boom, the profits of finance capital are disproportionately large, so during periods of depression small businesses, and those not in an assured position, go out of existence, while the great banks profit by buying up their shares for next to nothing, or through advantageous 'reconstructions.'" (Lenin, *Imperialism: The Last Stage of Capitalism*, p. 61.)

This all goes to create a situation in which capitalist contradictions are stripped of their outer shell and all the classes suffering capitalist exploitation move openly and directly against the rule of the Finance Oligarchy and against the machinery of the fascised State. The modern crisis places exploiting and exploited class face to face with the issue between them plain and bare.

Regarding this aspect of the situation Lenin writes :

" *Every* crisis signifies (with occasional possible vacillations and retrogressions), an acceleration of the development and a sharpening of contradictions, the laying bare of these same, the collapse of all that is rotten, etc."

" It is from this viewpoint," he continues, " that one must regard the crisis . . . as to whether progressiveness and the useful features of every crisis are not to be found in it."

To Lenin's eyes these " progressive " features of crisis are revealed in that, as he emphasises :

" every crisis breaks some and steels others,"

and that owing to crisis

" a breakdown of everything rotten and detrimental in the labour movement takes place, obstacles are thrust aside which stand in the way of revolutionary struggles, and that crisis steels men for the socialist revolution." (Lenin, first Russian edition of *New Articles and Letters*, 1930, p. 9.)

By striking at the roots of the labour aristocracy and forcing the collapse of everything harmful and rotten in the labour movement which might be likely to handicap revolutionary development, the modern crisis at the same time prepares the broad masses of the proletariat for the materialisation of the socialist revolution and steels them for the struggle ahead. Therein lies the revolutionary significance of the present crisis.

In pre-war crises the bourgeoisie found a way out at the expense primarily of the working class on to whose shoulders it shifted the main burdens arising out of their destructive effects. As it happens, however, to-day's crisis runs its course in the epoch of what is the general crisis of capitalism, which cannot be surmounted. As the result, the chances of the cyclical crisis ever being

overcome are greatly lessened and made extremely difficult of achievement. In the conviction now that the present cyclical crisis cannot be overcome with the aid of the same methods which used to facilitate their emergence from previous crises, the bourgeoisie is making every effort to discover a way out for itself by adopting emergency measures and despoiling the working class on a hitherto unprecedented scale.

Save for the proletarian revolution, i.e. except the revolutionary way out of the crisis, there is only the capitalist road of what, under the present-day conditions engendered by the general crisis of the capitalist system, would be endless and continuous crisis ; and that road means unparalleled oppression of the working class, utterly hopeless misery for the proletariat, which will be forced, without the slightest compunction, to starve to death.

It is one thing or the other : either the never-ending torments of slavery, of starvation and destruction—or the working-class revolution. There is no third road.

Since its main burdens and the ruinous consequences of the crisis are being transferred to the backs of the working class and the farmer-class and peasantry, the present crisis (which, we repeat, is running its course in conjunction with the general crisis of capitalism and is therefore proving to be an extremely difficult crisis for that very reason), is inevitably bound to broaden out in quite a number of countries into a revolutionary, political crisis.

Modern capitalism is capitalism in decay, a dying system. It is doomed to fall. Is that to be taken as meaning, however, that capitalism, automatically and of itself, is going to vanish from the scene just because of its over-ripeness as a system ? In describing monopoly capitalism as breaking up and dying Lenin always insisted most emphatically, however, that this capitalism in process of breaking up and dying had not broken up yet or died. For capitalism to be changed from a dying to a dead system it must be destroyed, a thing that can only happen through a proletarian revolution.

Whenever the fate of capitalism and its final stage

cropped up Lenin always uttered a warning against two kinds of fallacy regarding the conception of capitalism's general crisis. He insisted that :

" Above all, we must particularly mention two commonly-accepted mistakes. On the one side, the bourgeois economists represent this crisis simply as a ' disturbing factor,' as the English elegantly put it. On the other side, revolutionaries occasionally endeavour to furnish the proof that there is absolutely no way out of the crisis.

" That is a mistake. There is no such thing as situations from which there is no way out." (Lenin, *Collected Works*, Vol. xxv, p. 420, Speech at Second C.I. Congress, 1920.)

For this reason the economic crisis of to-day is leading in many countries to an extension in the form of a revolutionary crisis because it is making it impossible for the ruling classes to maintain their old overlordship unchanged seeing that, owing to the awful poverty of the working class and the peasantry, the crisis is causing the gravest discontent and resentment among the oppressed classes and is stimulating their activity against the capitalist " heights."

Marxists have never conceived of the fall and decline of capitalism as an automatic process. Again and again Lenin emphasised that revolutions do not fall from the skies. As he says :

" Because a revolution emerges not out of every revolutionary situation, but out of such situations where, to the above-mentioned objective changes, subjective ones are added, namely, the ability of the revolutionary *classes* to carry out revolutionary mass actions *strong* enough to break (or to undermine) the old government, it being the rule that never, not even in a period of crises, does a government ' fall ' of itself without being ' helped to fall.' " (Lenin, *Collected Works*, Vol. xviii, pp. 279, 280, Martin Lawrence Ltd., and International Publishers. See also Lenin's *On Reformism*.)

Owing to the acuteness and depth of this crisis resultant on capitalism's general crisis, the present crisis encourages mass action by the proletariat against the capitalist order and promotes the development and consolidation of the Communist Party in its work of

leading the working class into the struggle against bourgeois society.

QUESTION

1. What are the effects of the present crisis on the proletariat ?

VIII. The Social-Democracy and the Present Crisis

1. THE SOCIAL-DEMOCRATIC CONCEPTION OF THE CRISIS

As the result of the present crisis Social-Democracy has been driven into an extremely awkward position. It was only yesterday that the Social-Democrats, as we have already seen, were telling us that capitalism had taken the road of development without crises. Yet if anyone were to come out to the workers with the statement that capitalism was now so organised that it could not suffer crises, he would be laughed out of court. The theories built up during the boom have to be forgotten. Various forms of argument are put forward in different countries by the Social Democrats but they boil down to the following propositions : that the capitalist crisis is an ordinary crisis, with accidental features : that an intelligent planning, such as could be applied by the Social Democrats, is needed. Public corporations, on the lines of the London Transport Trust, will do this. This is backed up by propaganda about the necessity of awaiting for " democratic " methods through Parliament to turn the Finance Oligarchy out.

The British Labour Party has published, since the Leicester Conference of 1932, a study syllabus on *The Economic Situation*.[1] In it we find stated the Labour Party theory. The remarks are a useful summary of the general line. It starts off by saying :

" The capitalist system is suffering from two perfectly distinct causes—its own accidental stupidity and its own inherent defects. It is suffering, that is, from a monetary and financial crisis, and a crisis of ' over production.' The two act and react on each other in a multitude of complicated ways ; the first has gravely aggravated the second,

[1] This is one of a series.

just as an accident may cause a chronic disease to become acute ; but they are in themselves two distinct things.

" Capitalism can *produce* better than ever before ; it has not solved the old problem of *distribution* ; it has forgotten how to *exchange*.

" The causes of the breakdown of exchange are in the main causes which a perfectly wise capitalism could have eliminated—war debts, reparations, the absence of a uniform and reasonable policy with regards to credit and money, the growth of tariffs, and the want of security and disarmament. They are matters with which a wise socialism will have to deal."

The first proposition, that the *financial* crisis is different from the main crisis of capitalism, has already been dealt with by inference, in Lesson 8. The monetary and financial crisis arises directly from the main cause of capitalist crisis, the contradiction between social production and private ownership. Yet the *Study Course* says that :

" The world in 1929 was ripening for a crisis of ' over production ' and unemployment. But this process was cut short by a sudden financial crisis due to causes not necessarily inherent in the capitalist system."

The Finance Oligarchy, the imperialist process—is not " inherent in the capitalist system "! Where were those " causes " to be found ? In the U.S.A.!

In the lending of the U.S.A., in U.S.A. tariffs, and so on is to be found the chief cause of the crisis.

" American citizens made gigantic foreign investments "—then " the terror and disturbance " due to German bankruptcy " and cessation of American leading." The Tariffs, Reparations—and War Debts (again " the American citizens, the electors of the West " are responsible for insisting on their pound of flesh).

Thus the immediate responsibility for the crisis is pushed in true chauvinist style, on to the American *citizens*—not the Wall Street financial gang but the workers as well.

2. THE SOCIAL-DEMOCRATIC PROGRAMME FOR A WAY OUT OF THE CRISIS

How do the Social-Democrats envisage the way out of the present crisis?

It is familiarly known that Marx and Engels always linked the revolutionary prospects of their time with the crises of the day. It was not for nothing, then, that after the crisis of 1857 Engels wrote to Marx:

" During the acute crisis it was absolutely impossible for me to think of anything else but the ' general crash.' " (*Correspondence between Friedrich Engels and Karl Marx*, Complete edition, Section 3, Vol. ii, p. 268.)

But the Social Democrats fear a revolutionary way out of the crisis more than anything else. In every possible way, therefore, they endeavour to convince the working masses of the impossibility of overthrowing the bourgeois order at all, of the fatal consequences any collapse of capitalism would entail for the working class, and, finally, of the disadvantages involved in selecting the crisis of all times to carry on the struggle for working-class demands—while, for the benefit of the capitalists, they postpone this struggle to some dim, future date.

To return to our *Study Course*, quoted above, the problems caused by the unintelligent capitalists—and American " electors "!—could, it says, be dealt with:

" Peace and settlement will be left to the Labour Party. These are great things. They are things which could be done by capitalism if capitalism were intelligent."

The Labour Party writing " The Capitalist Financiers' Guide to Intelligence " is a sight to tickle the gods, but it has a very immediate moral. For when the Labour Party says that a " wise Socialism " will tackle these questions, which are in reality *inherent* in capitalism, it means only that the Labour Party will carry out the policy of the British Finance Oligarchy. Actually, of course, in its anti-American sentiments, its plea for all-round War Debt cancellation, in its quotations of Salter and McKenna and so on, it is simply writing the thesis of the next stage of British capitalist policy.

In the "other" sphere—"the old problem" of capitalism will be met by "the control of finance and of investments, the nationalisation of industry and of agriculture." We have seen (Lesson 8) that the Labour Party proposals are really a consolidation of the Finance Oligarchy by a greater degree of State Capitalism.

"National Planning" means, when buttressed with the proposals for compensation, taking over of the capitalist directors and so on, safeguarding capitalist investment. The *Study Course* from which we have quoted says that while we are waiting for the "great transformation" to take place:

"There are no lack of short-time measures which could be undertaken before national planning can show its fruits. The raising of a loan for certain capital developments could be carried out, even under present circumstances, so as to relieve the tax payer during these years."

The concern of the Labour Party for "the taxpayer" during the "years" of approach to "socialism" will be noted. But of more significance is this plea for a loan for a national plan, i.e. the State is to guarantee the rentiers interest for investments they will not finance themselves—to pile up an even larger pile of debt (it is sometimes said that taxation will relieve this burden, but (*a*) taxation does not in the case of the very largest incomes take more than 44 per cent. and (*b*) the rentiers push more and more on to indirect taxation from the workers). The proposal is a further step towards State capitalism.

The key-note of the whole contemporary programme of Social-Democracy consists in the demand for a strengthening of State capitalism.

As Lenin put it once, State capitalism is "a house of correction for the workers," as it is tantamount to a combination of capitalist exploitation, direct coercion and oppression of the working class through the instrumentality of the fascised bourgeois State.

"On the other hand, State monopoly in capitalist society is merely a means for increasing and safeguarding the

revenues for millionaires from this branch of industry or that which is not far off bankruptcy." (Lenin, *Collected Works*, Vol. xix.)

Yet it is this prison-house for the workers erected to rescue the millionaires from bankruptcy that the Social Democrats foist off on the working class as a socialist measure!

In Britain and the United States, exactly as in Germany and other capitalist countries, the crisis has greatly strengthened the tendency towards State capitalism. Similarly, the fusion of the Finance Oligarchy with the apparatus of the State power has been raised to a higher level. The assistance, too, which the State has allowed to be extended in generous measure to bankrupt monopoly bodies and banks which have failed—effected, when all is said and done, by reducing unemployment benefit as also by tightening the screw of taxation for those still in work and which means that the losses incurred by the Finance Oligarchy through the crisis are being borne by the labouring masses—forms one of the elements of so-called State capitalism which the Social Democrats represent as a step towards socialism.

The Social Democrats who carry into effect the demands of finance capital—out to secure itself against bankruptcy with the aid of the machinery of State by making the workers bear the expenses for the breakdown of its system—are really clothing the programme of finance capital in " socialist " robes. One of the foremost measures advocated by the Social Democracy for overcoming the crisis is embodied in the catchword of " Control of the Banks."

While the Social Democrats pursue a policy whose aim is to save the banks from collapsing by robbing the working class, they want to deck out this policy in the cry for control over the banks, although they themselves are perfectly well aware that no control is capable of altering the capitalist nature of the banks, which actually form the most powerful and most centralised apparatus in existence for the enrichment of a small clique of the magnates of capital. Of a like nature are all the other proposals of the Social Democrats.

The Social Democrats come forward with various proposals for immediate measures, which could lessen the burdens of the workers. Among these proposals are demands for earlier pensions, later education and so on, and also the forty-hour week.

But when these proposals pass from mere demagogy to action, they turn out not to further working-class action but to strengthen capitalism.

The part the " left " Social Democrats are made to play is only that of lightning conductor, as it were, for the growing resentment of the masses.

However much the Social Democrats may work to cure capitalism of its crisis fever and no matter how much zeal they display in their attempts to save the bourgeois order by the complete despoliation of the working class—the fact remains that the crisis is developing and deepening all the time with the consequence that more and more of the masses are sinking into ever greater misery thus leading to the wholesale desertion of the workers from the ranks of Social Democracy.

To an increasing extent the sympathies of the workers are steadily turning towards the Communist Party which shows the working class by the example of the U.S.S.R. the road whereby it may save itself from crises, from capitalist oppression, and from the poverty and misery the masses now suffer.

QUESTIONS

1. What is the attitude of the Social Democrat theoreticians towards the present crisis ?
2. What is the real significance for the workers behind the Social Democrats' demand for the strengthening of State capitalism ?
3. Why is the contention wrong of the Social Democrats that the workers can only carry on a defensive struggle during the crisis ?

IX. Why there are no Crises in the U.S.S.R.

The one country which knows no crisis, but, inversely, for all the years the entire capitalist world has been shaking under the blows of an unprecedented crisis, has experienced a tremendous advance in its economic life, is the U.S.S.R. The U.S.S.R. arose on the ruins of bourgeois society and on the scrapheap of the Tsarist

Empire, that is to say on the basis of a technically backward country. Entering the heritage of the old régime in the shape of industries wrecked by war, the Soviet Union was compelled after its withdrawal from the imperialist war to direct a stubbornly fought civil war for four weary years longer against the armies of the Whites and the intervention of the imperialist powers all in the field to defend the interests of the capitalists and landowners who had been swept out of power.

Though it was only after the close of this civil war that the Soviet Union was placed in a position to get its industries going once more and to extend them, it has been able—in spite of the extraordinarily onerous conditions under which its work of industrial construction had to be carried on, despite war, intervention, and blockade—to attain to outstanding achievements in building up its industrial and economic life on a new socialist foundation, doing so by its own unaided efforts, without foreign loans and not only without any aid from outside, not only with no assistance whatever from the capitalist States, but, on the contrary, in the teeth of uninterrupted attempts organised by the international bourgeoisie forcibly to hamper its immense labour of economic construction.

Owing to the circumstance that the economic life of the U.S.S.R. is being built up on a socialist foundation utterly different in principle from capitalism, the crisis which has affected all capitalist countries alike has not extended its sway to the Soviet Union, nor can it do so for the fundamental reason that its economic system is not subjected to the disrupting epidemics of over-production which afflict the capitalist system.

As long ago as 1848 Engels expressed himself as follows regarding socialist society when speaking at the time at Elberfeld :

" Just as in the production and distribution of the commodities necessary for the life of private industry the object of the individual to enrich himself by his own efforts disappears, so also do the crises of commerce disappear of themselves." (Engels, *Meetings at Elberfeld*, Two Addresses on Communism.)

Marx and Engels, who have furnished proof that within the capitalist mode of production crises cannot ever be eliminated, emphasised time and again that by passing over to planful, socialist economy humanity would shake itself free of the devastating crises of overproduction afflicting capitalism and which bring so much indescribable misery in their wake for the broad masses.

Having done away with private ownership in the most important and essential means of production, socialised them and concentrated them in the hands of the proletariat, the Soviet Union has for the first time in the history of mankind set social production to the work of satisfying the rapidly growing needs of society and accelerated at a tremendous rate the development of its productive forces in the interests of the labouring masses.

There are no crises in the U.S.S.R. just for the reason that there, for the first time in human history, socialism is being built up, because their social production is not operated in the interests of a handful of big capitalists, but with the object of effecting the social appropriation of its fruits as means for further extending production, as also the individual appropriation of the means of existence, for the working class. As a result of making over the means of production to be the property of society as a whole, which is what has been done in the U.S.S.R., it has become possible to eliminate anarchy in social production, and where anarchy used to be there is now a plan carefully thought out in advance, a plan based on the steadily rising well-being of the masses, whereby the indispensable prerequisites for a vast extension of socialist production are being created without calling forth any antagonism between social production and consumption. Here, then, there are no crises—here, therefore, no crises are possible.

They are impossible for the following reason, as Stalin set them out in his report to the Sixteenth Congress of the C.P.S.U. :

" In the first place, the growth of the socialised sector means first of all the reduction of the exploiting elements

in town and country, the decline of their relative importance in national economy, and this means that the share of the workers and peasants in the national income must inevitably rise at the expense of the share of the exploiting class.

"Secondly, given the growth of the socialised sector, a part of the national income which hitherto has gone to feed the exploiting classes and their dependents must now remain in industry itself, to extend production, to build new factories and works, to improve the conditions of the toilers. And this means that the numbers and strength of the working class must grow, while unemployment must decline and the unemployed be absorbed.

"Finally, the growth of the socialised sector, to the extent that it leads to the improvement of the material position of the working class, signifies the progressive increase in the capacity of the home market and an increase in the demand for manufactured goods on the part of the workers and peasants. And this means that the growth of the home market will exceed the growth of industry, and push it forward towards ceaseless expansion." (Stalin, *Leninism*, Vol. ii, Modern Books and International Publishers, p. 346.)

As early as the beginning of 1931, 97·6 per cent. of the total industrial production of the U.S.S.R. was concentrated in this socialised sector. Due to the development of a compact system of collectivisation and its application on the basis of the elimination of the *kulaks* or rich-farmer class as a class the socialist sector has come to occupy the predominant position in the national economy of the Soviet Union.

The U.S.S.R. has entered the era of socialism. The laying-down of the foundations of socialist economy is already drawing to its close. Consequent on the reconstruction of its production, the vast labour, too, that has been put into the entirely new and extensive upbuilding of the country as a whole (work which is being carried through in keeping with the most up-to-date advances in capitalist technique), and, lastly, thanks to the movement of socialist competition of the mass of the workers and their troops of shock-workers in production, all aspects of economic and industrial effort

have undergone an enormous advance all along the line both in town and country—and this while all over the capitalist world the bourgeois system has suffered an abrupt and disastrous decline in production and shrinkage of its total sown area, hopeless unemployment from which there is no way out and an indescribable impoverishment of the masses.

The U.S.S.R. does not suffer at all from the scourge of unemployment ; more, is actually experiencing a dearth of labour-power.

In Lesson 7 we have already given figures regarding the successes met with in collectivising agriculture.

Compared with the spring of 1930 the sown area in 1931 had increased by 9·9 per cent., this expansion to be ascribed chiefly to the greater amount of technical and industrial crops sown which will go to promote the development of the sugar and textile industries and other branches of light industry. After suffering for a number of years from a grain shortage, the U.S.S.R. has now solved the grain problem for home requirements and begun the export of its surplus in order to import out of the proceeds of this item of the export trade machinery and other important material wherewith to push on the industrialisation of the country.

Brilliant results have also been achieved in the field of industrial production in the Soviet Union.

At the present time a large number of industrial giants are building in the U.S.S.R., most notable among them the huge hydro-electric power and other schemes known to the world as Dnieprostroy, Kuznetzstroy, Magnitogorsk, and others ; while enormous automobile plants, tractor, combined harvester, engineering, diesel-motor, ball-bearing, small-tool, and other works, besides chemical factories, are in the process of erection.

The programme of general industrial output, which was calculated to take five years, has been fulfilled to the extent of 93·7 per cent. at the end of four years ; the volume of industrial output has been increased more than THREEFOLD compared with the pre-war output, and more than TWOFOLD compared with the output of 1928. The Five-Year Plan programme of

output for heavy industry has been fulfilled to the extent of 108 per cent.

In the sphere of agriculture, in three years, more than 200,000 collective farms and about 5,000 grain and stock-breeding farms were organised. In four years this sown area was increased by 21 million hectares. Instead of 500-600 million poods of marketable grain being collected, now 1,200-1,400 million poods are obtainable (see *Results of the First Five-Year Plan*, Stalin, Modern Books, Workers' Library Publishers, where many facts are given and the political effects drawn out).

Small wonder, then, if in recent years there has been a rapid increase in the number of workers and employees employed in the U.S.S.R. : in 1928, 11,460,000 ; 1929, 12,140,000 ; 1930, 14,750,000 ; and in 1931 a jump to 16,800,000.

In the U.S.S.R. the vast-sweeping growth of production is proceeding in conjunction with a steady forward movement of wages (a 21·9 per cent. rise in wages being recorded, for instance, in 1931), and advance in the prosperity of the working class and mass of small-holders and middle-peasants, more especially, however, of the masses on the collective farms. Advancing prosperity like this finds its expression in the growth of the national income, which amounted to 38·3 per cent. for the year 1931 alone. Here there are the reasons why there are no crises in the U.S.S.R. ; and why, on the contrary, before the eyes of the world the outlook is all for a further wide-moving advance.

QUESTION

1. Why is the U.S.S.R. experiencing an unprecedented industrial advance and why are there no crises under the socialist system ?

MARXIST STUDY COURSE.—ECONOMICS

(Each Lesson is a separate part)

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